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Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

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JAN 29 1999

COMMUNICATIONS DIVISION
WASHINGTON, D.C.

**Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45**

Dear Ms. Salas:

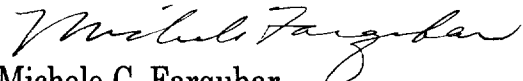
On behalf of Western Wireless Corporation ("Western Wireless"), I am writing to notify you of three *ex parte* presentations made Wednesday, January 27 and Thursday, January 28 regarding the above-captioned proceeding.

First, Gene DeJordy, Executive Director of Regulatory Affairs, and James Blundell, Regulatory Affairs, of Western Wireless; Brian Fontes, Senior Vice President for Policy and Administration, Cellular Telecommunications Industry Association; and David Sieradzki and I of Hogan & Hartson, L.L.P., counsel to Western Wireless, met with Craig Brown, Deputy Chief, Accounting Policy Division, Common Carrier Bureau; and Charles Keller and Jane Whang of the Common Carrier Bureau staff.

Second, Mr. DeJordy, Mr. Blundell, and I met with Paul Gallant in Commissioner Tristani's office; with Ari Fitzgerald and Kathryn Brown in Chairman Kennard's office; with Linda Kinney and Daniel Connors in Commissioner Ness' office; with Kevin Martin in Commissioner Furchtgott-Roth's office; and with Wireless Telecommunications Bureau Chief Thomas Sugrue and Deputy Chiefs James Schlichting and Kathleen Ham.

We used the attached materials in connection with these presentations. Please contact me if you have any questions.

Respectfully submitted,



Michele C. Farquhar
Counsel for Western Wireless Corporation

Enclosures

No. of Copies rec'd
List A B C D E

0 + 2

cc: Kathryn Brown
Thomas Sugrue
Ari Fitzgerald
Paul Gallant
Linda Kinney
Daniel Connors
Kevin Martin
Kathleen Ham
James Schlichting
Craig Brown
Chuck Keller
Jane Whang
ITS, Inc.

CASE STUDY
WESTERN WIRELESS'
WIRELESS RESIDENTIAL SERVICE

This year, Western Wireless plans to launch a new universal service offering, called Wireless Residential Service, in various rural communities. Western Wireless plans to launch its entry into the universal service market prior to being designated as an ETC -- and prior to receiving universal service funding -- in order to underscore its commitment to serving the communication needs of consumers in high-cost areas. By way of example, and to illustrate the problems associated with competitive carriers entering the universal service market, we provide the following case study.

Rural City, USA, falls clearly in the category of a rural, high-cost area. With a population of only a few hundred residents spread out over a large geographical area and a calculated cost of more than \$200.00 per month for local telephone service, Rural City is truly a rural, high-cost area. Our Wireless Residential Service in Rural City costs approximately a \$15.00 per month for unlimited local usage with a local calling area that includes Rural City, and six surrounding towns in the state. This compares with a rate of \$16.00 per month and local calling area of Rural City, and only two of the nearby towns as offered by the incumbent local exchange carrier. The expanded local calling area offered by Western Wireless is a significant benefit to the Rural City consumers. It allows them to place local calls to the only major business/residential community in the area, one of the surrounding towns which is approximately 50 miles from Rural City, and a town not included in the incumbent's local calling plan. Clearly, this is precisely the type of local competition envisioned by the Telecommunications Act of 1996 and the Commission's rules.

The ability of Western Wireless to offer its Wireless Residential Service in Rural City is dependent upon the establishment of a competitive universal service system that allows competitive carriers to serve the communications needs of high-cost consumers and receive universal service funding to cover its costs. The FCC and state commissions must, however, take the following steps to enable the competitive offerings of the services supported by universal service.

Universal Service Funds Must Be Available To Competitive Carriers.

Under the current universal service rules, competitive carriers have access to only a very limited amount of federal funding to provide the supported services in territories served by the rural telephone companies. A forward-looking cost model for calculating the costs of providing service and determining the level of funding is not slated to go into effect until the year 2001 for territories served by rural telephone companies, like Rural City (a forward-looking model is slated to go into effect in July 1999 for non-rural telephone companies). The delay in implementing a forward-looking cost model for rural telephone company territories severely disadvantages competitive carriers because incumbents continue to receive various forms of subsidies to cover its costs of providing service in high-cost areas whereas competitive carriers are eligible to receive only a fraction of the cost of providing service. In Rural City, for example, the cost of service based upon forward-looking cost models is more than \$200.00, which the incumbent recovers through implicit and explicit funding, but a competitive carrier, like Western Wireless, is eligible to receive less than \$25.00 per month (total support available from the high cost loop fund, long term support, and local switching support). It therefore becomes imperative to make explicit and portable funding that is currently available to incumbents but not competitive carriers. For territories served by rural telephone

companies, a forward looking cost model should be used to determine the level of support available to competitive carriers, even if the model does not apply to incumbents until the year 2001.

Universal Service Funding Must Be Made Immediately Available To Carriers Providing The Supported Services. Under Parts 36 and 54 of the Commission's Rules, on July 31, competitive carriers are required to identify the number of high-cost lines served as of December 31 of the previous year, which will determine the level of funding available beginning on January 1 of the following year. In the Rural City case, under the current rules, Western Wireless would not identify the number of lines served in Rural City until July 31, 2000 and funding would not be available until January 1, 2001 -- two years after Western Wireless began providing service in Rural City. The Commission should revise its rules to provide immediate funding for high-cost lines served by a carrier.

The Commission Should Allow CMRS Carriers To Recover Access Charges From IXC's. Today, CMRS carriers do not receive access charges from IXC's for terminating long distance calls, unlike incumbent local exchange carriers and competitive local exchange carriers. In Rural City, Western Wireless will be originating and terminating long distance calls for IXC's, but is not able to impose access charges for providing this service. The Commission should allow (but not require) CMRS carriers to impose access charges (by filing tariffs) on IXC's for originating and terminating long distance calls.

The Commission Should Reaffirm The Criteria Designating ETCs By State Commissions. Unless the Commission reaffirms that the express statutory criteria for designating ETCs is the sole criteria for designating ETCs, competitive carriers, like Western Wireless, will face entrenched incumbents and sympathetic state commissions bent on

foreclosing competitive carriers from entering a previously-foreclosed market. The Commission should reaffirm that the sole criteria for designating ETCs for federal and state universal service support is: (1) the carrier is a common carrier; (2) the carrier is capable of offering the supported services using its own facilities or a combination of its own facilities and resale of another carrier's services; (3) the carrier commits to offering the supported services throughout the service area designated by the state commission; (4) the carrier commits to advertising the availability, and charges for, the services offered; and (5) in territories served by rural telephone companies, the designation is in the public interest.